

Office of Internal Audit

6 Year Strategic Plan



FY13-FY19

To the staff of Internal Audit:

This document, the Office of Internal Audit's Six Year Strategic Plan, is the roadmap that will assist us in achieving our goal of being the preeminent provider of value added assurance and consulting services to Louisville Metro Government.

This plan contains bold visions for our future with specific, measurable, attainable, realistic and time bound goals. It is constructed around our primary objective of evaluating and improving upon the Louisville Metro Government's internal control structure. The objective of internal control is to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Achievement of business goals and objectives
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

This document is divided into several sections – the purpose of the Office of Internal Audit; the vision for the office; our core services we provide to Louisville Metro Government, and our goals and objectives for the next six years. To be successful, strategic planning must be a continuous process that maintains close alignment with our evolving mission in support of Louisville Metro Government. We will continue to update our strategic plan periodically by looking at the changing issues that affect the Office of Internal Audit and Louisville Metro Government, evaluating if we are still on target, and assessing if we are living our mission.



Ingram Quick
Chief Audit Executive

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Overview of Sections

Vision for Louisville

The future state Louisville Metro Government envisions for our city, for the residents of Louisville, and for all who visit.

Mission

Why the department exists within Metro and for the community.

Core Services/Programs

What a department provides to residents to fulfill its mission and meet the 5 strategic objectives of Louisville Metro Government: *Deliver excellent city services; Solve systemic budget issues; Take job creation to the next level; Invest in Our People and Neighborhoods, Advance “Quality of Place”; Create plans for a vibrant future.*

Objectives

Louisville Metro Government objectives are the five strategic outcomes the Fischer Administration is driving towards. While every department strives to achieve the 5 objectives for Louisville Metro Government, each has its own functional objectives or high-level accomplishments it strives to achieve to fulfill its mission.

Goals

Departments should include applicable Louisville Metro Government strategic goals as their own, as well as develop department specific short (1-2yr), mid (2-4yr) and long(4-6yr) term strategic goals.

Short term goals (and midterm if feasible) should be Specific, Measureable, Attainable, Realistic, and Time-Framed (SMART) statements about what the department will accomplish within the next 1-2 years to meet its mission, achieve its objectives and support the strategic objectives of the city to help realize the vision for Louisville Metro Government. Mid- and long term goals may be more broad and less “SMART”.

The numbers to the right of each goal indicate which of the five Louisville Metro Government strategic objectives the goal supports. The “Lead” column refers to who has ownership over the goal, however various individuals may lead supporting initiatives to the goal. The “Why” column describes why the goal is important to the department and the residents of Louisville.

The “Initiatives” column lists at a high-level, the specific projects a department will undertake (initiate and/or execute) over the next 1-2 years to help achieve their short and, as appropriate, mid-term goals; individual initiatives are not required, unless clearly known, for mid and long term goals.

The “How” column under mid- and long term goals, explains initial ways in which the department envisions making progress towards the goal.

Louisville Metro Planning Cycle

The new fiscal year planning cycle for Louisville Metro Government puts all Departments on the same strategic planning cycle, sequenced to guide budget and operational planning.

Purpose and Vision of Louisville Metro Government

Louisville Metro Government is the catalyst for creating a world-class city that provides its citizens with safe and vibrant neighborhoods, great jobs, a strong system of education and innovation, and a high quality of life.

“Louisville is a city of lifelong learning and great jobs, wellness, and compassion”

Louisville Metro Government Objectives

These five objectives are the ultimate outcomes the Fischer Administration is working hard to achieve.

- 1. Deliver Excellent City Services.** *We strive to be the best city government in America and will use a robust measurement system to track our results.*
- 2. Solve Systemic Budget Issues.** *We will resolve the structural budget imbalance that limits our city and its growth. Our expenses cannot continue to outpace revenue growth.*
- 3. Take Job Creation To The Next Level.** *We will create a culture of innovation that fosters the growth of 21st Century jobs, focusing on our strategic economic development strengths—lifelong wellness and aging care, value-added logistics, advanced manufacturing, and the food and beverage industry. We will champion a business-friendly entrepreneurial environment that recognizes education is the foundation for job creation. We will work with our schools, colleges and universities to deliver a 21st century workforce.*
- 4. Invest In Our People And Neighborhoods, Advance “Quality Of Place”.** *We will build on Louisville’s unique and creative people and history, embracing all citizens and our growing international population, by improving public transportation, the arts, and our parks. We will ensure a safe, inclusive, clean and green city -- a city that looks toward the future by capitalizing on our diverse population, our geography, and the Ohio River.*
- 5. Create Plans For A Vibrant Future.** *We will develop and begin implementation of a 25-year vision for the city, including targeted neighborhood revitalization. The vision will detail how the city will look, feel and flow in the short, mid, and long term.*

Department Vision

To continually earn the trust of the Metro Council, Management, Employees and Citizens while ensuring that public resources are used in an effective, efficient and ethical manner.

Department Mission Statement

To proactively provide independent, objective assurance and consulting activities to assist both policy makers and program managers in providing high - quality services in a manner that is accountable, efficient, effective and ethical.

We are committed to being the preeminent provider of value added services and to continual improvement of our audit process to make it ever more responsive to our client's needs.

Core Services/Programs

The Office of Internal Audit provides Internal Auditing Services for Louisville Metro Government (LMG) via four core services.

- ❖ **Assurance Services** - review operations, policies, and procedures to ensure that the appropriate control structure is in place and that business risks are considered;
- ❖ **Consulting Services** - help address specific issues and concerns that do not require an assurance review;
- ❖ **Information Technology Services** - review to ensure that electronic information is processed as intended, data integrity is maintained, and the control structure is effective. This service is primarily delivered through co-source arrangements with external consultants;
- ❖ **Integrity Services** - investigate allegations of employee misconduct or non-violent criminal acts involving LMG resources and proactive fraud detection best practice reviews. This includes providing administrative support for LMG's Ethics Tipline.

Department Objectives

The Office of Internal Audit conducts audits of all Louisville Metro Government departments, agencies, and other appropriations awarded through either grants or contracts. The main objective of the Office of Internal Audit is to determine that those entrusted with Louisville Metro Government resources are establishing and maintaining effective controls to:

1. Accomplish Business Objectives and Goals

Those entrusted with Louisville Metro Government resources are responsible for establishing and maintaining effective controls to ensure that programs meet their goals and objectives.

2. Identify and Comply with Applicable Laws and Regulations

Those entrusted with Louisville Metro Government resources are responsible for establishing and maintaining effective controls to ensure identification of and compliance with applicable laws and regulations.

3. Safeguard Resources

Those entrusted with Louisville Metro Government resources are responsible for establishing and maintaining effective controls to ensure that resources are safeguarded against waste, loss and misuse.

4. Assess the accuracy and reliability of financial information.

Those entrusted with Louisville Metro Government resources are responsible for establishing and maintaining effective controls to ensure that valid and reliable data are obtained, maintained and fairly disclosed

Short Term Goals (1-2yr)

The goals listed below detail what the department will accomplish over the next 1-2 years to meet its mission, achieve its objectives and help realize the vision for Louisville Metro Government.

	Goal	Department Objective	Mayors Objective	Why	Initiatives
1	Increase productivity of Internal Audit staff time by 3% by FY15 and by 6 % by FY17	1	1	Our goal is to increase our productivity rate higher than the industry average (75%). Productive time is any time spent working directly on audits. The increase in productivity will be directly reflected in the number of audits per auditor for the year	<ul style="list-style-type: none"> • Implement standardized forms specific to time management and engagement time planning • Streamline processes and identify and eliminate bottlenecks that may occur during the engagement process • Overall general administrative hours for each auditor would decrease with the addition of a permanent administrative assistant.
2	Complete 90% of the annual audit plan each fiscal year by the end of FY15	1	1	The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the annual audit plan. As with any plan certain factors will occur that will change the plan. During the fiscal year, certain events may occur that will require our resources which will not allow for completion of the annual audit plan.	<ul style="list-style-type: none"> • Ongoing communications and dialog with the administrative and legislative branches of government on the adequacy of resources for the internal audit activity. • Resources should be effectively deployed so that they are used in a way that optimizes the achievement of the plan. Resources may include employees, external service providers, financial support and technology based audit techniques. • Conduct periodic skills assessment to determine if internal audit staff have the specific skills required to perform internal audit activities • Create an audit plan that is realistic
3	Average of 5 days of continual professional	1	1	Internal auditors need to stay informed about	<ul style="list-style-type: none"> • Allocate the necessary financial support out of the annual budget so that each auditor has the

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	development per auditor for the year by FY14			improvements and current developments in internal audit standards, procedures and techniques.	ability to attend conferences, seminars, webinars and in house training programs.
4	Complete an entity-wide assessment of risk management processes and capabilities by FY15	1	1	A thorough, documented and continuous risk management process is key to good governance and an important management tool to provide assurance that appropriate controls are in place to achieve the objectives of the organization.	<ul style="list-style-type: none"> • Identify and partner with other risk and control functions while maintaining functional independence and objectivity. • Serve as catalyst for the formation of an enterprise risk council, which may include: facilitating discussions with senior management about risk management issues and priorities; and developing near-term organizational risk strategies.
5	Begin implementing the automation of an electronic work paper system	1	1	Internal Audit has the opportunity to create a Microsoft Office Suite based solution (SharePoint) at no cost which will create, organize, share and retain working paper documentation	<ul style="list-style-type: none"> • Coordinate with Metro Technology Services to pursue the use of the internally available Microsoft SharePoint software. •
6	Include potential dollar recoveries and identified savings in our audit reports, as applicable	1	2	One method of measuring the effectiveness of local government audit organization is to compile and periodically report actual audit savings. Additionally, if our recommendations are implemented, they could potentially reduce costs or increase revenues for Louisville Metro Government in future periods.	<ul style="list-style-type: none"> • When applicable, quantify the dollar amount related to specific issues identified during the engagement • Include potential dollar recoveries in our audit reports and our annual report of activities

Mid-Long Term Goals (2-6yr)

The goals listed below detail broad goals the department plans to achieve over the next 2-6 years to meet its mission, achieve its objectives and help realize the vision for Louisville Metro Government.

	Goal	Department Objective	Mayors Objective	Why	How
1	Facilitate the implementation of 90% of the audit recommendations we provide clients within 3 years of being reported by FY16	1	1	Recommendations are an important part of our audits, as this is where change and improvement often begin	<ul style="list-style-type: none"> Establish a more aggressive follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.
2	Implement an annual performance measurement review into our annual audit plan by FY16	1	1	To ensure that the procedures for collecting, calculating and reporting performance related data supports accurate and reliable data	<ul style="list-style-type: none"> The Office of Internal Audit needs to develop a certification program for performance metrics Test the accuracy of the measures and determine the reliability of the procedures used to collect data in departments Develop and assign certification ratings (<i>i.e., certified, certified w/qualifications and not certified</i>) to each performance metric reviewed
3	Automation of an electronic work paper system by FY17	1	1	Budget constraints have prevented the department from purchasing an automated work paper system. Internal Audit has the opportunity to create a Microsoft Office Suite based solution (SharePoint) at no cost which will create, organize, share and retain working paper	<ul style="list-style-type: none"> Coordinate with Metro Technology Services to pursue the use of the internally available Microsoft SharePoint software. SharePoint can be utilized to provide the document sharing and access records providing the capability to track supervisory review and approvals in a fashion similar to that provided in a third party developed audit management system. Internal Audit will communicate with peer audit shops to understand how SharePoint was

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				documentation	incorporated to facilitate the sharing of documents and tracking supervisory review and approvals.
4	Consult in the development of a Metro-wide enterprise risk management (ERM) framework	1	1	A consistent framework would assist each agency by: providing awareness of business objectives and relevant risks; increasing management visibility into risks and mitigation activities; enhancing the risk management culture; and provide a means of validation of or potential input to the top enterprise risks.	<ul style="list-style-type: none">• Process applied in strategy setting across Metro.• Design to identify potential risks and manage those risks within Metro's risk appetite.• Include threats, opportunities and uncertainties that may impact strategic and financial objectives.• Embedment within the organization yielding a proactive tool to guide leaders in decision making regarding appropriate mitigation strategies toward all risks, not just those obvious or pressing at the time.

Louisville Metro Government (LMG) Planning Cycle

Louisville Metro Planning Cycle

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